

CHAPTER 4

TEXTILE INDUSTRY IN EGYPT (HISTORY, PRESENT, AND FUTURE)

4.1 INTRODUCTION

The main goal of this chapter is to introduce the Egyptian textile industry to the reader by shedding light on its history, present, structure, importance, and future. The first part will discuss the history as well the present of the Egyptian textile industry. The second part will introduce its structure. The third part will shed light on its significance to the Egyptian economy, while the final part will refer to its promising future.

4.2 THE HISTORY OF TEXTILE INDUSTRY IN EGYPT

The textile industry is one of the oldest industries worldwide as it has deep roots in history. It began with Neanderthal man who realized the necessity for something to cover and protect his body from the harsh elements of nature. Egypt is considered a pioneer in the textile industry as its history dates back thousands of years. Through the different decades and with the support of different successive governments, the textile industry has developed to become a major pillar for the Egyptian development.

4.2.1 The Ancient History of the Egyptian Textile Industry

Ever since the time of the pharaohs, spinning and weaving has been considered a leading industry in Egypt. Monuments and inscriptions on historical Pharaonic temples are evidence that the ancient Egyptians were experts in this industry, as their perfection is quite obvious in the shrouds used for wrapping up mummies. Pharaonic inscriptions

also prove that the pharaohs used different fabrics, such as cotton and linen, to make their clothes (El-Refaey, 1991).

Following the Pharaonic period and during the Ptolemaic Empire (305 BC), the Ptolemaic governors supervised and contributed to the Egyptian textile industry by setting up the textile workshops in different parts of Egypt and added wool as an important material to this industry. Later on, during the Coptic era (30 BC-461 AD), workshops were spread all over Egypt until the textile industry became a significant entity in the Egyptian industrial society.¹

The textile industry in Egypt reached its peak of prosperity during the Islamic era around 642 AD, as it flourished and played a significant role in supporting the Egyptian economy. From the Alexandrian harbor, Egypt exported textile products to the Byzantine Empire and to different European countries. This export greatly increased during the reign of the Fatimid Caliphate (a part of the Islamic era) (909-1171 AD), as the Caliphate's governors established textile factories to produce high quality cloth which was given as presents to different governors and friends all over the world to express their friendship. The Islamic era witnessed the establishment of state-owned textile factories, 'Dar Al-Tiraz' being one of the most important ones. It was a large factory managed by the Egyptian government and was divided into two main sections; one section produced threads and fabrics in large quantities to be sold to the public, while the other section produced high quality products for the elite and for the purpose of gift exchanging.²

¹<http://www.eternalegypt.org>, access date (21/4/2007).

²“Textile history in Egypt”. The Egyptian Textile Manufacturing Federation, annual book (2006).

During this period, the government took care of and provided private workshops with the necessary materials, while at the same time it had the right to monitor them. The government interference in the textile industry was apparent during the process of testing the textile products, giving products quality stamps, and giving different grades to raw materials. Moreover, the government had the right to supervise the distribution of raw materials to different workshops and enjoyed the monopoly over the sales of raw materials and giving quotations for them.¹ It also assigned the task of selling the raw materials to certain merchants headed by one person, called the ‘Shah-bander’ (senior merchant). Furthermore, the government ordered merchants to keep official sales books to be used later in determining the taxes imposed on merchants, a system which is broadly similar to the practices that are used today in the Egyptian textile industry.²

4.2.2 The Modern History of the Textile Industry in Egypt

The Ottoman ruler Mohammed Ali, considered to be the founder of modern Egypt (1805-1849 AD), has been recognized for establishing modern industries in Egypt. During his reign, the textile industry developed quickly. He established twenty-nine textile factories in Upper and Lower Egypt (the North and the South of Egypt) with the intention to cover the needs of the Egyptian army during his war against the Ottoman Caliphate. He imported the necessary equipment and machines from European countries and established factories that produced various kinds of textiles and clothes made of cotton, linen, and silk.³ In 1838, the investments in textile industries were estimated at 12 million Egyptian pounds, which was considered a large amount of money at that time. The new industry employed between 30,000 and 40,000 workers; the number of

¹<http://www.eternalegypt.org>, access date (21/4/2007).

²<http://www.eternalegypt.org>, access date (21/4/2007).

³<http://www.eternalegypt.org>, access date (21/4/2007).

job opportunities provided by the textile industry was considered tremendous compared with the size of the population, which was 3.5 million people. Factories not only employed male workers but also women and children, who were paid less than men (Marsot, 1984). In this era, Egypt emerged on the world export map, exporting textile products to the Ottoman Empire in Istanbul, North Africa, European countries, and to most African countries (Beinin, 2004).

At the beginning of the twentieth century with the call for expanding the Egyptian textile industry, a company which called the 'National Textile Company' which considered as the real beginning of the Egyptian textile public sector was established. However, the industry was not supported by the British occupation, which considered Egypt as an agricultural country and was not concerned with its industrial development. The occupation wanted raw cotton to be manufactured in England where the textile industry was much further advanced than in Egypt. The textile industry was given a boost during the era of the Egyptian economist Talaat Harb who set up the 'Misr Al-Mahalla Textile Company', which started production in 1930. This company represented the actual starting point for the prosperity of the Egyptian economy and enhanced its development. With the onset of the Second World War, the company expanded its exports to those countries that were involved in the war as they were in desperate need of medical cotton, clothes, blankets and other requirements needed by their armies (Shakr and Abdel-Latif, 2000).

After the Second World War, the spinning and weaving industry faced several problems as a result of the lack of scientific planning for the expansion of the industry. El-Refaey (1991) has summarized these problems in the following:

- Increasing imports and foreign competition
- Increasing surplus production
- The lack of Egyptian technical skills
- The inability of the industry to catch up with scientific development

The Egyptian revolution in 1952 nationalized the textile factories that were owned by the private sector. This nationalization was the first step towards the Egyptian public textile industry known today. The state sent specialists to different European countries that were advanced in this field so they could acquire the latest manufacturing techniques, methods, and skills. In this period, the textile industry developed qualitatively and quantitatively and enjoyed the monopoly and support of the Egyptian government (Shakr and Abdel-Latif, 2000)

With the free economic policy adopted by the government and which encouraged the private sector through the open-door policy adopted by President Anwar Al-Sadat at the beginning of 1975, and with the incentives given by the government to promote investment in Egypt, private textile ventures appeared on the industrial chart. The participation of the private sector, after such a long period of suspension, had a great effect on the development of management and operational methods as well as on the marketing skills in this industry. However, the Egyptian textile industry had faced its biggest challenge when its main markets collapsed with the end of the Soviet Union, and especially the decline of the Eastern European Block which was considered the main market for Egyptian textiles. Consequently, the Egyptian export decreased by more than 33% from 1991 to 1992 (El-Haddad, 2005).

The Egyptian government had to take some actions, not only to return to the previous export levels but also to support the development of the textile industry. Therefore, the government gave the textile companies two kinds of incentives: the first was the ‘drawback and temporary relief systems’, while the second incentive was associated with the adoption of the ‘Economic Reform and Structural Adjustment Program’ (ERSAP) in 1991. These two kind of incentives exempted exporters from export duties on products; moreover, the government provided all necessary facilities, such as loans to the different textile companies (El-Haddad, 2005).

4.3 THE INDUSTRY STRUCTURE

The Egyptian textile industry is divided into two main sectors; one is owned and controlled by the government while the other is owned by the private sector. Since the beginning of the 1990s, the private sector has been participating in the textile production, yet the public sector still controls 91% of the whole Egyptian textile production.¹ There are 24 public sector companies (big-scale) affiliated to one holding company and each company has a large number of factories (for more details about the structure of the public textile companies see the structure of Misr Spinning and Weaving Company: Appendix B). On the other hand, there are approximately 100 middle-sized factories affiliated to the private sector and the rest are small-sizes factories and some joint ventures. The number of registered private enterprises which have a membership in the Egyptian Textile Manufacturer Federation (ETMF) is 2,500, as well as thousands of small factories and workshops that are not members of the

¹ “Cotton, textile, apparel value chain”. Regional Agricultural Trade Expansion Support Program (RATES), annual report (2005).

(ETMF).¹ The following table shows the geographic distribution of the textile industry in Egypt.

Table 4.1: The geographic distribution of the Egyptian textile industry

Governorate	Number of Factors according to the Sub-Sector				
	Spinning and weaving	Wool, natural and synthetic manufacture	Dyeing, printing and finishing	Knitting facilities	Garment manufacture
Cairo	132	21	35	301	277
Alexandria	4	10	17	151	72
El-Kaliobia	305	8	16	11	29
El-Gharbeya	128	18	3	15	11
Assyut	2	-	-	2	1
El-Bohaira	19	3	2	-	-
Beni-Suef	2	-	-	-	-
Port Said	1	1	-	1	2
Giza	6	1	1	19	54
El-Dakahleya	21	-	-	27	5
Dumyat	3	-	-	-	1
Sohag	2	1	-	-	-
El-Suez	1	-	-	-	-
El-Sharkeya	2	5	2	3	7
Menofeya	3	3	1	1	1

Source: Sultan (2003: 8)

Moreover, the public sector plays the main role in the textile industry as it represents 91% of the productive capacity in spinning, 70% of the productive capacity in weaving, and 30% of the clothing sector. These percentages demonstrate the significance of this sector in the Egyptian textile industry (see Table 4.2).

¹ Egyptian Textile Manufacturing Federation. Ministry of Industry, annual report (2001).

Table 4.2: The textile structure in Egypt

Sector	Public Sector	Private Sector
Spinning Sector	91%	9%
Weaving Sector	70%	30%
Clothing Sector	30%	70%

Source: ECES¹ (2003)

For more clarification, Table 4.3 below gives more details about the public textile companies in Egypt and its main products.

Table 4.3: The public textile companies in Egypt and its main products

No.	Company	Company's Main Products
1	Misr Spinning and Weaving Co.	Yarn, terry towelling, bed sheets, pillow cases, ready-made garments, cotton wool, and gauze bandages
2	Misr-Fine Spinning and Weaving Co.	Finished cotton, blend cloth, cotton yarns, blend poly cotton, knitting and weaving, sewing threads, and waste cotton
3	Misr-Helwan Spinning and Weaving Co.	Cotton yarns, cotton and blended textiles (dyed and printed), corduroy, velvet plain, printed upholstery fabrics, ready made garments, guipure embroidered textiles, Jersey, and natural silk
4	(ESCO) Spinning and Weaving Co.	Yarns, combed, carded cotton, blended worsted yarns, viscose, rayon yarns, grey, finished fabrics, and terry towels
5	El Nasr Spinning and Weaving and dyeing Co.	Cotton terry towels, jacquard and plain dyed kitchen towel, table cloth, bed covers, bed sheets, printed & dyed, cotton textile creton. poplin, ticking sheeting, grey cloth, cotton yarn no. from 20 to 40, and ready made garments
6	The Arab and United Spinning and Weaving Co.	Spinning, weaving, processing of 100% cotton, blended yarns, and fabrics for the local market and for the export
7	Misr-Shebin El Kome SPG and Weaving Co.	Cotton yarns
8	El Nasr Wool and Selected Textile Co. (SUA)	Cotton yarns, cotton underwear, and worsted and woollen fabrics
9	National Spinning and Weaving Co.	Cotton piece goods, coarse, fine yarns, cotton tricot, tern' towels, terry cloth, sewing threads, and ready made garments
10	Misr Beida Dyers S.A.E	Finishing, dyeing and printing, cotton piece goods, white and or dyed wool tops, yarns of different counts made out of 100% wool or acrylic, and carbonised wool wastes
11	El Nasr for Spinning, Weaving and Tricot	Spinning, weaving, and tricot

¹ Egyptian Centre for Economic Studies, annual report (2003).

12	Societe Misr Pour la Rayonne	Rayon filaments, viscose staple fibre, polyester fibres, nylon filaments, nylon staple fibre, and yarns
13	Upper Egypt Spinning and Weaving Co.	Cotton yarns, wooden yarns, and carpets
14	The Middle Egypt Spinning and Weaving Co.	Cotton yarns, cotton clothes, and tern' towels
15	Orient Linen and Cotton Co.	House holds products bed sheeting, terry, towels, curtains, table cloth, bed cover, cotton yarns, and flax yarns
16	Damietta Spinning and Weaving Co.	Cotton yarns, cotton textiles, embroideries sets, and ready made clothes
17	El-Motaheda Spinning and Weaving Co.	Cotton yarns and garments
18	Arab Carpet Upholstery	Machine-made carpets (wool and acrylic), and blankets (acrylic)
19	El Siouf Spinning and Weaving Co.	Cotton yarns & textiles (grey-dyed-printed)
20	The Alexandria Spinning and Weaving Co.	Cotton yarns ranging count No. 12 up to No. 80 single and carded and combed, on cones or hanks, and sewing thread No. 40.3
21	Dakahleya Spinning and Weaving Co.	Cotton yarns of all counts & blended yarns (polyester, cotton), all sorts of textiles, cotton & blended ready-made garments
22	Delta Spinning and Weaving Co.	1. Combed and carded yarns, gassed and mercerised single, double grey, white, dyed sewing, weaving and knitting production of fine yarns: from 20 1 till 801. 2. Woven products: grey, white, dyed sets of bed-sheets, table covertures, terry towels, kitchen towels, draw sheets, baby sets, table covers, and blanket covers.
23	Cairo Dyeing and Finishing Co. S.A.A.	Cretonne, bed sheeting, gabardine printed & coloured, pique poplin, batiste sheeting, fancy shirting cloth, hank dyeing and all kinds of converted fabrics with width not more than (140 CM) finishing
24	Modern Textile Co.	Textile fabrics made of silk, viscose rayon, and blends of rayon and cotton

Source: SEAM¹ (2008)

4.4 LABOR IN THE EGYPTIAN TEXTILE INDUSTRY

The textile sector plays a significant and effective role in solving the unemployment problem in Egypt as it provides numerous job opportunities for the Egyptian labor force. The textile industry is considered a labor intensive industry and is related to various complementary industries which either provide it with various raw materials or use its products. According to the governmental statistics, almost one-third of the total

¹ Support for Environmental Assessment and Management
<http://www.eeaa.gov.eg/seam/Manuals/TextileSectorReport/Appendices.PDF>, access date (12/1/2008).

Egyptian manufacturing employment is working in the textile industry.¹ Moreover, labor costs are considered a competitive advantage to invest in Egypt, as they are thought to be among the lowest labor costs in the world. According to the survey conducted by Werner International Institution, which includes the main textile producing countries in the world, the hourly costs of the Egyptian worker was less than \$0.82 compared with \$15.78 in the United States, \$18.91 in Germany and \$2.13 in Turkey. It is also lower than those of the workers in other developing countries such as Malaysia, Morocco, Oman, Colombia, and Mexico.²

4.5 EGYPTIAN TEXTILE EXPORTS

The textile sector is considered the engine of the Egyptian economic growth, as it represents the third-largest industrial sector after the chemicals and food sectors. Egypt is the largest African and the second largest Mediterranean exporter of textiles and clothing to the USA. It is also one of the main five suppliers of cotton yarn and non-carded cotton for the European Union.³ The following is the share of the main Egyptian textile markets (see Figure 4.1).

¹ Egyptian Textile Manufacturing Federation (ETMF), annual report (2007).

² "Primary Textiles Labor Cost Comparisons". Werner International (2005). <http://www.werner-newtwist.com> access date (11/3/2007)

³ The Central Authority for Public Mobilization and Statistics (CAMPAS), annual report (2004).

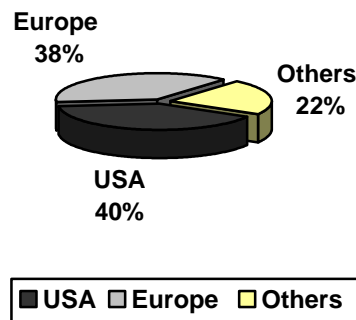


Figure 4.1: The Egyptian export capacity and their markets worldwide

Source: EEPC¹ (2008)

Moreover, the cotton and textile exports are the second important sources of foreign currency in Egypt after oil exports, representing 40% of non-oil exports in 2002, and the Egyptian annual average export capacity was approximately 1,189 million US dollars in the period from 2006 to 2007,² which represents about 15% of the total Egyptian industrial exports. However, the Egyptian government had planned to reach annual exports of 3 billion dollars of ready-made garments, cotton, accessories and yarn by 2010.³

4.6 GOVERNMENT POLICIES TOWARD TEXTILE INDUSTRY

The government policies towards the textile industry have had a major impact on the structure and competitiveness of this industry. Trade and import policies are formulated to protect this industry because of its significance impact on the national economy and its important role in solving the unemployment problem in Egypt. However, the

¹ Egyptian Export Promotion Centre. Ministry of Economy and Foreign Trade, annual report (2008).

² The Egyptian Ministry of Trade and Industry, annual report (2008).

³ Egyptian Export Promotion Centre. Ministry of Economy and Foreign Trade, annual report (2006).

Egyptian government tends to privatize some public companies in order to increase their efficiency and to make them work in accordance with market economies. Yet, it will keep some of the big companies such as Misr Textile Company and other strategic companies under the control of the public sector.¹

Moreover, to cope with international standards, the Egyptian Organization for Standardization and Quality Control (EOSQC) motivated the textile companies to meet the different international standards for industrial products such as the ISO, BS, ANS, DIN, JIS, and NF standards. These standards have increased the efficiency and the competitiveness of Egyptian textile products in global markets. Moreover, the General Organization for Export and Import Control (GOEIC) is testing all exported products or imported materials to ensure that they meet the quality standards established by the EOSQC (El-Haddad, 2005).

Additionally, the Egyptian government has begun to consider the environmental factors. Therefore, it has compelled the different textile companies to adopt the policy of Eco-friendly textile products, as well as to control their waste and not to pollute the surrounding environment. Thus, as a consequence of improving product quality and at the same time, protecting the environment. To meet this end, many companies are working towards getting the ISO 14000 which focuses on environment management.²

¹ An interview with the planning manager of the Egyptian Textile Holding Company (15/05/2008).

² An interview with the planning manager of the Egyptian Textile Holding Company (15/05/2008).

4.7 TEXTILE INVESTMENT PROMOTIONS

Over the past five years, the Egyptian government has started to adopt the policy of promoting foreign investment in different economic fields, especially in the textile industry. It has offered facilities, incentives and advantages to encourage and attract foreign investors and capitals. The General Authority for Investment and Free Zones (GAIFZ) is responsible for organizing textile investments in Egypt under the Investment Law 8 of 1997. This law permits foreign investors 100 per cent ownership, thus they can receive the full profit of their investments. It also provides guarantees against confiscation, sequestration and nationalization. Moreover, it provides investors with tax incentives, as it provides tax exemptions over the first five years, and tax exemptions over twenty years for projects established outside the Cairo area.¹

All these advantages and incentives have created an atmosphere of trust which, resulted in an increase in the foreign investment in this industry and promising a bright future for the textile industry in Egypt. The fruit of these policies was the establishment of the biggest factory in the Middle East region for polyester textiles including yarn and fabric, which cost 650 million US dollars involving investments from Saudi Arabia and the United Arab Emirates.²

¹ The Egyptian Investment Law No. 8: 1997

² Ministry of Trade and Industry, annual report (2007).

4.8 THE PROMISING FUTURE FOR THE EGYPTIAN TEXTILE INDUSTRY

The long history of the textile industry in Egypt and its economic importance confirms that it still has a great future ahead. The Egyptian government is sincerely concerned with this industry and provides it with all necessary facilities, as the government considers the development of the textile industry as a national objective.

The Egyptian Spinning and Weaving Holding Company (ESWHC) is working on keeping pace with scientific progress in the textile field by continually seeking to improve production methods, by upgrading machines and using the latest available technology. Moreover, the plans for modernization have taken the element of manpower into consideration, as the government sends many Egyptian workers to major international companies and invites industry experts from other countries to bring their knowledge and experience to Egypt.¹

Furthermore, the Textile Holding Company, in cooperation with the 'Egyptian Association for Training and Quality' and the 'German Research Centre' had conducted a series of seminars for textile employees. The company allocated around 20 million Egyptian pounds in 2007 for this purpose and left it up to these institutions to determine the best methods for developing this industry by identifying its problems and finding best solutions. Moreover, Egypt has signed a set of international agreements which will improve the Egyptian competitive position and predict a promising future for this industry.² The following sections will shed some light on these agreements:

¹ The Egyptian Export Promotion Centre. Ministry of Economy and Foreign Trade, annual report (2007).

² "The Future of Textile Industry". Ministry of Trade and Industry, annual report (2006).

4.8.1 Bilateral Agreements with Arab Countries

Egypt set up a number of bilateral agreements with Jordan, Lebanon, Morocco and Tunisia in 1999, with Libya and Syria in 1999, and with Iraq in 2001. Moreover, in 2005, Egypt joined the Greater Arab Free Trade Agreement (GAFTA) with 17 other Arab countries to reduce duties by 10% among them over 10 years. This reduction will be gradually increased until tax exemption is granted and tariffs are completely eliminated by the end of 2010 (El-Haddad, 2005).

4.8.2 Agreements with European Countries

In the context of economic cooperation between the European Union countries and Mediterranean countries, and as a part of a broader Euro-Mediterranean partnership, Egypt and the European Union signed an association agreement in 2001 which aims to establish a free trade zone and eliminate quotas and quantitative restrictions between the European Union and 12 Mediterranean countries by 2010. This will help to eliminate the compulsory tariffs on the Egyptian textile industry and to remove barriers that hinder the opening up of new markets (El-Haddad, 2005).

4.8.3 Agreements with the United States

The United States is a major customer for Egyptian textiles. In 1999, the USA had signed the Trade and Investment Framework Agreement (TIFA) with Egypt. The main aim of TIFA is to help promote bilateral investment between Egypt and the United States. As Magder illustrated, *“An important step forward for Egyptian trade policy came on December 14, 2004, when the United States, Egypt, and Israel announced the signing of a three-way agreement to establish a series of Qualified Industrial Zones (QIZ).”* (2005: 29). The QIZ agreement frees Egyptian products from custom duties when they contain at least

35% local content, including at least 11.7% Israeli content.¹ The QIZ agreement increased the trade exchange between the three countries and has led to a remarkable increase in Egyptian textile exports to the United States, Egyptian exports to the USA had reached \$2 billion in just two years, most of which was attributed to the textile industry. In addition, this agreement has also provided the Egyptian labor force with 150,000 to 250,000 new job opportunities (Magder, 2005).

4.9 CHAPTER SUMMARY

The main aim of this chapter is to identify the importance of the textile industry in Egypt and to illustrate that the continuity of the industry is not an option but a strategic necessity, imposed by its great contribution to the Egyptian economy and by its contribution in providing job opportunities. This chapter has discussed the development and importance of the textile industry in Egypt. It has presented the history and the development of the industry since the Pharaonic era, as ancient Egyptians were experts in this field. The Ptolemaic Empire (305 BC) contributed to this industry by setting up many textile workshops in various parts of Egypt. Around 642 AD in the Islamic era, the textile industry had flourished and played an important role in Egypt's economy. The actual founder of the modern Egyptian textile industry was the Ottoman ruler Mohammed Ali (1805-1849 AD), who built factories throughout Egypt. However, thanks to the Egyptian economist Talaat Harb, the textile industry was boosted when he set up the 'Misr Al-Mahalla Textile Company', which began its production in 1930.

¹ "Economic Trends Report". Embassy of the United States of America. Egypt, (2006).

The unique structure of the Egyptian textile industry and a list of the public textile companies were presented in this chapter. Moreover, the importance of the textile industry as the main source of employment and the third main source of foreign currency was discussed. The chapter also discussed the major markets of Egyptian textile products and refers to its promising future and the government's efforts towards supporting it. Finally, the Egyptian international agreements with Arab, European countries, and the United States were highlighted.